

**Before the
Federal Communications Commission
Washington, DC 20554**

In the Matter of)
Implementation of Section 621(a)(1) of)
The Cable Communications Policy Act) **MB Docket No. 05-311**
Of 1984 as Amended by the Cable)
Television Consumer Protection and)
Competition Act of 1992)

COMMENTS OF [THE CONSUMER COALITION OF CALIFORNIA]

I. INTRODUCTION

The Consumer Coalition of California is a non-profit corporation and is governed by a Board of Directors. The organization is active in protecting the rights of individuals and small business owners who are directly affected by the decisions of major corporations, and administrative law agencies. The Consumer Coalition of California has intervened before numerous governmental agencies, both federal and state. The group is presently involved in electric deregulation, telephone deregulation, airline deregulation, health care and other issues affecting consumers.

The Consumer Coalition of California is also a member of Consumers for Cable Choice (C4CC).¹ We carry out our work alliances with consumer organizations like C4CC who are committed to a competitive marketplace. With approximately 40 consumer groups representing more than 1 million members, the Consumer Coalition of California and C4CC are leveling the playing field for consumers. Moreover, the Consumer Coalition of California is working toward the formation of a pro-consumer market for cable subscribers that is open and diverse, and will ensure a broader range of choices for consumers.

The Consumer Coalition offers these comments:

- The Federal Communications Commission has received testimony and letters from consumer leaders, small business owners, as well as representatives from advocacy groups for

¹ Consumers for Cable Choice, Inc. is a not-for-profit corporation formed under Section 501(c)(4) of the Internal Revenue Code.

minorities, senior citizens, economically-disadvantaged families, and women, all telling the Commission that under the current system, new providers cannot enter the market without confronting a number of challenges.

- An obsolete local franchising regulation requiring new providers to apply for franchising authority from each jurisdiction is excessive.
- It is our understanding that approaching this process jurisdiction by jurisdiction could take more than 25 years for new entrants to overcome this regulatory barrier.
- Also, permitting local cable companies to maintain their monopoly through existing franchising laws is unfair to consumers. We firmly believe that exorbitant rates can be lowered through competition.

The Consumer Coalition of California provides the following comments to urge the Commission to facilitate competition and to ensure better services and new, innovative technologies for Small Business owners and individuals.

II. DISCUSSION

The lack of cable choice harms our constituents in the following ways:

- According to a Federal Communications Commission 2004 Report on Cable Industry Prices, cable rates have risen 56.6% since 1996.² This is a telling statistic in that only one video service provider, namely, the traditional cable company, serves most communities. The outdated local franchising process fosters the perpetuation of a harmful monopoly to our constituents.
- Also according to the Federal Communications Commission's 2005 *Report on Cable Industry Prices*, communities with a wireline cable competitor had average cable rates for basic and expanded services 15.7% lower than in communities with no competition.³ Clearly, more options for video service would benefit the constituents served by the Consumer Coalition of California.
- And finally, it is not surprising that the lost consumer surplus from a delay in reforming the franchise process and promoting competition is \$8.2 billion dollars for one year of delay, or nearly

² Report on 2004 Cable Industry Prices

⁷ Report on Cable Industry Prices, FCC Rcd 2718, 2721, at 12 (2005).

\$75 dollars for each American household. Accordingly, four years of delay would cost consumers nearly \$30 billion, or about \$270 dollars per household.⁴ The reality is that more consumers will save hard earned dollars through choice.

Competition will benefit consumers as follows:

- In lightened communities where cable competition has emerged, prices have dropped. Keller, Texas is a shining example of a community where Verizon's FIOS service is available and consumers are paying less for video services. More significant, consumers now pay comparable rates because the incumbent cable provider has lowered its prices.

Here is what the Federal Communications Commission can do:

- Ensuring a tight deadline for franchise negotiations is a simple and immediate action that the Federal Communications Commission could implement.
- We concur with testimony of C4CC that the Federal Communications Commission can act in preventing municipalities from impeding competition in the video service market. Section 621 of the Communications Act of 1934 gives the commission the authority to moreover permit a new entrant, "a reasonable period of time to become capable of providing cable service" within the franchise area. To limit the reach of local franchise authorities and prevent unnecessary obligations from being placed on new competitive entrants, the Federal Communications Commission has the statutory authority to address this matter.
- The Consumer Coalition of California suggests that the Commission modify the current system to preserve local municipalities' ability to collect fees for use of rights of way. We urge the Commission to consider many of the ideas recommended by C4CC.

III. CONCLUSION

The current franchising process harms rather than helps Small Business Owners and individuals.

An outdated local franchising regulation requiring new providers to apply for franchising authority from each jurisdiction currently stands in the way of progress.

We urge the Commission to exercise its authority to promote franchise reform and seek ways to streamline the franchise process and promote policies for greater competition. This would be of immense benefit to our constituents.

Respectfully submitted,

Virginia Jarrow
President

February 13, 2006